



**Tax Administration Division**  
**815 Washington Street**  
**Reading Pennsylvania 19601-3690**  
(610) 655-6335 or (610) 655-6584 Fax (610) 655-6242  
[www.readingpa.gov](http://www.readingpa.gov)  
[tax@readingpa.org](mailto:tax@readingpa.org)

### **BUSINESS PRIVILEGE LICENSE APPLICATION GUIDE**

*Please use this guide as a reference when filling out the Business Privilege License Application. Please note the number correspondence to the License Application.*

1. **Business Name:** Enter the name of the business as it is recognized by the general public.
  2. **EIN/FIN:** Enter the business's Federal ID number. If the business is a sole proprietorship and does not have an EIN/FIN, use the proprietor's social security number.
  3. **Business Location:** Enter the location in which the entity is doing business. This must be a location within the City of Reading.
- 12. Organization & Type of business:**
- a. **Organization**
    - i. **Proprietorship** – One individual owns all assets and is solely responsible for all liabilities of the business. Owners file Schedule C forms with their personal returns with the IRS.
    - ii. **Partnership** – An association of two or more persons to carry on, as co-owners, a business for profit. Partnerships have written agreements between partners called "Articles of Partnerships" and file Federal 1065 Partnership returns with the IRS.
    - iii. **LLP (Limited Liability Partnership)** - A form of entity where a general partnership registers with the state as LLP. Partners' liability to third parties is limited.
    - iv. **LLC (Limited Liability Company)** – An unincorporated form of business with no restrictions on ownership, taxed as a partnership, and whose members' liability to third parties is limited.
    - v. **S-Corp**– Similar to a C-Corp but the corporation in which, under certain conditions, may elect to have its taxable income taxed to its individual shareholders. Subchapter S corporations file "informational" Federal 1120S returns with the IRS.
    - vi. **C-Corp (General Corporation)** – A legal entity ordinarily consisting of an association of a number of individual stockholders. Corporations have written charters called "Articles of Incorporation" as well as written bylaws. Corporations file Federal 1120 returns with the IRS.
    - vii. **Association** – Typically associated with Non-Profit entities.
  - b. **Type of Business**
    - i. **Wholesale:** Shall mean sales to dealers/distributors/vendors who resell the items purchased "AS-IS". When a product is sold and then used in the construction of a new product, it is NOT considered wholesale.
    - ii. **Retail:** Sales of tangible products from inventory. (Restaurants, Bars, General Stores, Clothing Sales)
    - iii. **Service:** The rendering of intangible professional, commercial or personal services. (Construction, Computer Repairs, Barbers, Doctors, Lawyers, etc.)
    - iv. **Commission:** The selling of goods and/or services in which the broker receives a commission. (Insurance sales, lottery tickets sold on behalf of the Commonwealth of PA)
    - v. **Rental:** Lessors of real or tangible property.
    - vi. **Non-Profit:** All non-profit, not-for-profit, charitable, educational, and/or religious entities must submit copies of the Form 501(c) or 501(C)(3) granted by the IRS.
    - vii. **Manufacturing:** The process of turning raw materials into new articles by applying labor, skill, and machinery. Assembly, or simply making superficial changes to the products, does NOT qualify as manufacturing. PLEASE NOTE: If claiming a manufacturing exemption, a WRITTEN request detailing the nature of the operation from raw materials to finished products must be made within thirty (30) days to the Tax Administration Manager. An inspection of the operation is required prior to a decision being rendered. Acceptance or rejection of the request will be issued by the Tax Administration Manager in writing. All gross receipts shall be considered taxable until said decision regarding exemption is issued.

**13. Describe Business Activity:** Give a description of the main activities of your business. (“Renting Property”, “Repairing Automobiles”)

**15. Date Business Started Within the City of Reading:** This is the first day the business started generating receipts within the City of Reading, PA.

**16. Accounting Basis:** Cash Basis-Recognizes income and expenses when they are received in and /or paid out. Accrual Basis-Recognize income and expenses when they are earned or incurred.

**17. Accounting Year:** Fiscal Year-Yearly business cycle that is NOT calendar (January-December) year.

**18. No. Of Employees (W-2 Recipients):** If you employ subcontractors and/or issue 1099’s, please complete item 23.

**If Business Is A Partnership Or Corporation, List:** List all General Partners or Corporate Officers in the space provided.

**30. Name of Previous Owner:** If you purchased or took over an existing business list the previous owners’ (and previous business’ name, if applicable) name(s).

**31. Previous Business Address:** If the business moved, list its previous address.

**Zoning** – All businesses must obtain Zoning Approval except taxi drivers, festival participants and peddlers.

**Health** – Only businesses in the food industry, waste management, and exterminators are required to obtain Health Permits.

**34. Rental Properties:** List the addresses of each Rental Property located within the City of Reading that you own. If you need more space please include additional sheets.

**35.** The proprietor must sign this form in the Tax Office or have his/her signature notarized. If the business is a Partnership, all general partners must sign where indicated. If a Corporation, a Corporate Officer must sign where indicated.

#### BUSINESS PRIVILEGE TAX CALCULATIONS:

All businesses must file and submit payment of Business Privilege Tax yearly. After the initial two years and the last year of the business’ operation, the tax is based upon prior year’s gross receipts by category and the return is due annually on June 15. A two percent discount is permitted if the return is filed and paid by April 15.

#### BPT CALCULATION OF SEASONAL BUSINESSES:

Seasonal businesses submit and pay their annual Business Privilege Tax every year at the completion of their seasons. Seasonal Business Privilege Tax returns are due four months from the season’s end, or two months from the season’s end for the two percent discount. An example of a seasonal business is an ice cream vendor who only operates during the warmer months.

#### BPT CALCULATION OF THE LAST YEAR IN BUSINESS:

The Business Privilege Tax in the LAST YEAR of operation is based upon the LAST YEAR’S gross receipts figure. If the tax for the current year has already been filed and paid based upon prior year’s gross receipts, we will recalculate the tax based on the LAST YEAR’S gross receipts and issue a refund on the difference if applicable.

#### BPT CALCULATION FOR THE FIRST AND SECOND YEARS OF OPERATION:

*BUSINESS’ START DATE IS BETWEEN JANUARY 1 AND OCTOBER 2:*

- **Initial Year** Provide the initial 90 days gross receipts figure  
Divide the 90 day figure by 3 to get a monthly average  
Take monthly average times the number of months (or fraction of months) the business operates (or will operate) in the initial year

EXAMPLE: Start date February 1, 2006:

90 Day period: 2/1/2006-5/1/2006

Divide this number by 3 and multiply by 11 (11 months from 2/1/06-12/31/06)

EXAMPLE: Start date April 20, 2006:

90 Day period: 4/20/2006-7/20/2006

Divide this number by 3 and multiply by 8.33 (8-1/3 months from 4/20/06-12/31/06)

- **Second Year** Provide the gross receipts figure from the initial year's start date to December 31 of that initial year.

Divide this figure by the number of months (or fraction of months) the business operated in its initial year and multiply that number by 12 (this is called annualizing)

EXAMPLE: Start date February 1, 2006:

2006 Gross Receipts Figure 2/1/2006-12/31/2006

Divide this number by 11 (11 months from 2/1/06-12/31/06) and multiply by 12

EXAMPLE: Start date April 20, 2006:

2006 Gross Receipts Figure 4/20/2006-12/31/2006

Divide this number by 8.33 (8-1/3 months from 4/20/06-12/31/06) and multiply by 12

*BUSINESS START DATE IS BETWEEN OCTOBER 3 AND DECEMBER 31:*

- **Initial Year** Provide the gross receipts figure from the start date to December 31  
Calculate the tax based upon this figure
- **Second Year** Provide the initial 90 days gross receipts figure  
Divide this number by 3 and multiply by 12

EXAMPLE: Start Date 11/15/2006

Request 90 Day gross receipts figure from 11/15/2006-2/15/2007

Divide this number by 3 and multiply by 12

IF BUSINESS HAS EMPLOYEES:

- **Earned Income Tax**-Must be deducted for all individual employed at the employer's City of Reading location. The rate is 1.7% for all City of Reading residents; 1.0% for non-city residents.
- **Emergency Municipal Services Tax**-Must be deducted at the rate of \$52.00 per year per individual employed at the employer's City of Reading location.

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**Application Checklist:**

**NEEDED BEFORE BUSINESS PRIVILEGE LICENSE CAN BE ISSUED:**

- **ZONING APPROVAL**
- **HEALTH APPROVAL (for businesses: food service, food vending, itinerant food service, refuse & solid waste haulers, and exterminators)**

**Did You:**

- Complete the Application?
- Sign the Application/Have Your Signature Notarized if Application Not Signed in the Tax Office?
- Pay the \$55 License Fee? (Your check should be made payable to the *City of Reading*)
- Mail completed application along with your check to:

TAX ADMINISTRATION  
CITY HALL  
815 WASHINGTON ST.  
READING PA 19601-3690

**The City of Reading wishes you the best with your new business!**